



ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: May 7, 2014

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- Norfolk's unemployment rate (not seasonally adjusted) was 6.5 percent in March, which was below last year's rate by 0.4 percentage point (March 2013) and above last month's rate by 0.1 percentage point (February 2014). (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) increased slightly year-over-year in March by 0.03 percent (1,100 jobs) to 3,741,100 jobs from 3,740,000 jobs last year (March 2013). (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) fell year-over-year in March by 0.28 percent (2,100 jobs) to 744,300 from 746,400 last year. (See page 2)
- Through March, the average sales price of homes sold in Hampton Roads fell 0.9 percent, to \$218,215 from \$220,300. (See page 3)
- In Norfolk, the average sales price of homes sold through March fell 5.7 percent, from \$186,175 to \$175,545 and the decline occurred in both existing and new homes sold. (See page 3)
- Through March, the number of housing units permitted in Norfolk fell to 167 units from 249 units permitted during the same period last year. The 82 unit (or 33 percent) decline was largely due to housing units permitted in multi-family projects. In March last year, there were two new apartment projects permitted that accounted for the majority of the difference in housing units permitted when comparing this year to last year. (See page 4)
- Through March, Norfolk sales taxes were up 2.2 percent (or \$458,000). However, adjusting for the correction of an overpayment to Norfolk last year by the Virginia Department of Taxation, sales taxes were down 1.9 percent. (See page 5)
- Real GDP rose at an annual rate of 0.1 percent (first estimate) in the first quarter of 2014, after rising at a 2.6 percent rate in the fourth quarter of 2013. (See page 6)

Residential Employment

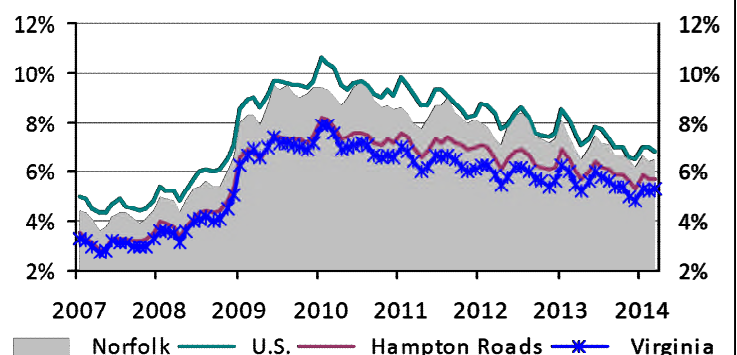
Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	March 2014*	February 2014	March 2013	10-Year Average
Norfolk	6.5%	6.4%	6.9%	6.5%
Chesapeake	5.1%	5.0%	5.6%	5.0%
Hampton	6.6%	6.5%	7.0%	6.1%
Newport News	6.5%	6.6%	6.8%	5.9%
Portsmouth	7.0%	7.2%	7.4%	6.7%
Suffolk	5.8%	5.7%	6.1%	5.4%
Virginia Beach	5.0%	4.9%	5.3%	4.6%
Hampton Roads	5.7%	5.7%	6.0%	5.3%
Virginia	5.3%	5.2%	5.5%	5.0%

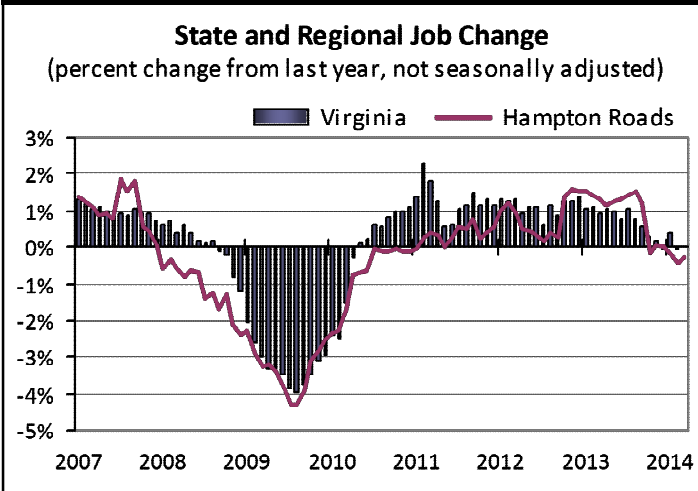
Norfolk's unemployment rate (not seasonally adjusted) was 6.5 percent in March, which was 0.1 percentage point above last month's revised 6.4 percent rate (February 2014) but was below last year's revised rate (6.9 percent) by 0.4 percentage point. A similar trend was seen in Chesapeake, Hampton, Suffolk and Virginia Beach.

Norfolk's unemployment rate fell from last year, as the number of unemployed residents fell by 325 (4.5 percent), while the Norfolk labor force and number of employed residents grew by 1,495 (1.4 percent) and 1,820 (1.9 percent), respectively. Prior to the annual revision, Norfolk's unemployment rate had been declining year-over-year in every month since September 2010. Following the revision, Norfolk's unemployment rate in January 2013 now shows a slight increase year-over-year. Norfolk's unemployment rate remains below the national rate (not seasonally adjusted).

Unemployment Rate: Norfolk, Region, State and National (not seasonally adjusted)



State and Regional Employment



Statewide nonfarm employment (not seasonally adjusted) increased slightly year-over-year in March by 0.03 percent (1,100 jobs) to 3,741,100 jobs from 3,740,000 jobs last year (March 2013). The growth in employment were largely in construction, trade, financial activities, education and health services, and state and local government.

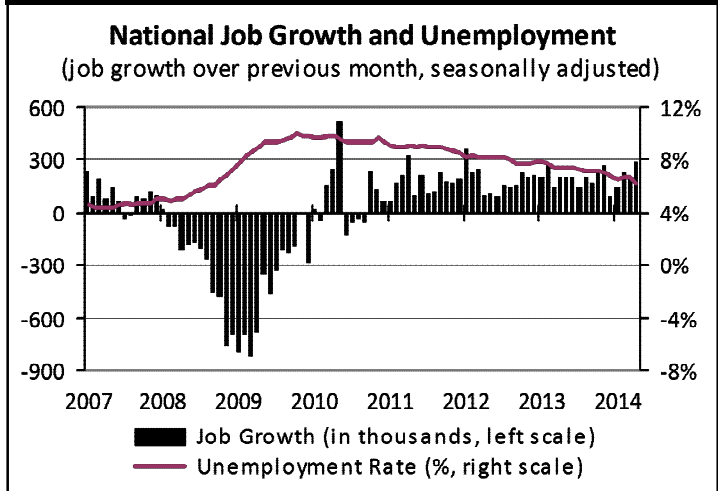
In contrast, Hampton Roads nonfarm employment (not seasonally adjusted) fell year-over-year in March by 0.28 percent (2,100 jobs) to 744,300 from 746,400 last year. This was the third straight month of year-over-year decline for the region. The job losses were largely in professional and business services, federal government, construction, financial activities, leisure and hospitality, and information. Nonfarm employment (not seasonally adjusted) also fell year-over-year in several Virginia metropolitan areas such as, Danville, Lynchburg, and Roanoke, but rose in the Richmond, Northern Virginia, Harrisonburg, Charlottesville, Blacksburg and Winchester metropolitan areas.

March Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	-800	3,500
Manufacturing	-300	-1,100
Trade (Retail and Wholesale)	1,700	6,400
Transportation and Utilities	0	-900
Information	-400	-1,400
Financial Activities	-700	2,000
Professional and Business Services	-3,000	-21,900
Educational and Health Services	4,300	16,400
Leisure and Hospitality	-500	-800
Government	-2,300	-3,300
<i>Federal Government</i>	-2,300	-6,100
<i>State Government</i>	0	1,500
<i>Local Government</i>	0	1,300

National Employment



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) in April rose by 288,000 jobs, the highest monthly increase since January 2012. Job gains in February and March were also revised upwards by 25,000 and 11,000 jobs, respectively. This brought job growth year-to-date through April to 857,000 jobs (or an average of 214,000 jobs per month). Since February 2010, when total employment was at its lowest, the economy has added about 8.6 million jobs, nearly recovering the 8.7 million jobs (revised) lost from January 2008 to February 2010. The job gains have mainly been in the private sector, which has added nearly 9.2 million jobs, while the public sector lost 600,000 jobs. In April, the seasonally adjusted unemployment rate fell to 6.3 percent from 6.7 percent in March.

National Job Change by Industry

(seasonally adjusted; March/April growth are from previous month)

	March 2014 ²	April 2014 ³	2014 YTD ³
Mining & Logging	5,000	9,000	24,000
Construction	17,000	32,000	124,000
Manufacturing	7,000	12,000	47,000
Trade/Transportation/Utilities	44,000	59,000	118,000
Information	-1,000	-3,000	-18,000
Financial Activities	0	6,000	15,000
Professional/Business Services	52,000	75,000	258,000
Educational/Health Services	37,000	40,000	125,000
Leisure and Hospitality	34,000	28,000	122,000
Other Services	7,000	15,000	27,000
Government	1,000	15,000	15,000
<i>Federal Government</i>	-7,000	-3,000	-28,000
<i>State Government</i>	-5,000	1,000	-2,000
<i>Local Government</i>	13,000	17,000	45,000
Total Job Growth	203,000	288,000	857,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Regional Housing Market

Jan.—Mar. Home Sales	Housing Units Sold		Average Days on Market	
	2013	2014	2013	2014
Hampton Roads	4,357	4,005	99	90
Norfolk	542	512	103	84
Chesapeake	708	623	83	78
Hampton	292	276	103	107
Newport News	380	338	112	108
Portsmouth	250	257	103	90
Suffolk	273	250	96	90
Virginia Beach	1,209	1,107	87	78

Average Residential Sales Price: January - March

Area	2014	2013	% Change
Hampton Roads	\$218,215	\$220,300	-0.9%
Norfolk	\$175,545	\$186,175	-5.7%
Chesapeake	\$229,328	\$231,156	-0.8%
Hampton	\$139,236	\$142,228	-2.1%
Newport News	\$152,086	\$160,547	-5.3%
Portsmouth	\$126,137	\$113,854	10.8%
Suffolk	\$224,890	\$213,684	5.2%
Virginia Beach	\$266,643	\$272,346	-2.1%

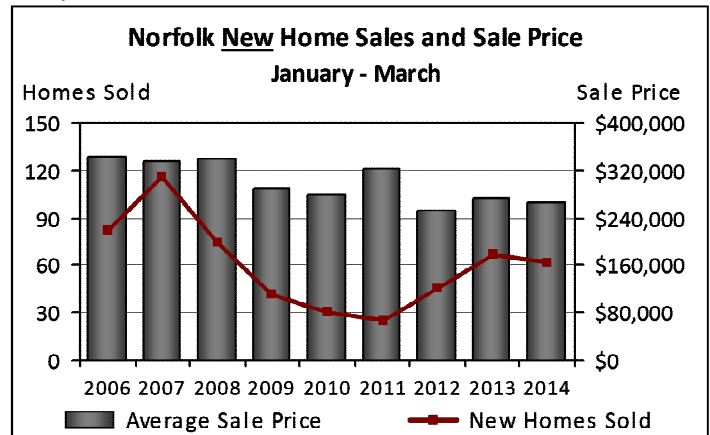
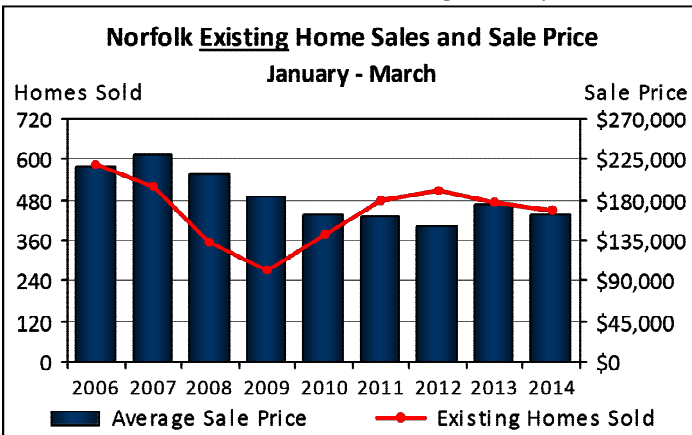
The Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads through March fell by 0.9 percent, to \$220,300 from \$218,215 last year. Among the seven major cities of the region, only Portsmouth and Suffolk had an increase in the average sales price of homes sold year-to-date compared to last year. The median sales price of homes sold in the region year-to-date also declined from last year by 2.3 percent.

The number of homes sold in the region through March also fell by 8.1 percent. Almost all the seven major cities in the region had a decline, the only exception was Portsmouth where there was a slight increase of 2.8 percent from last year. Moreover, REIN indicated that for the month of March alone, home sales fell 7.16 percent, which was the largest decline since June 2011. However, REIN reported a slight increase (2.15 percent) in residential pending sales (homes under contract) in the region from last year which should boost regional home sales in the near term. Residential active listings (homes for sale) in the region also rose in March by 5.42 percent, while the months' supply of inventory grew to 6.3 months from 5.94 months supply last month. According to REIN, the impact of distressed homes in the regional housing market continued to grow smaller. The share of homes for sale and homes sold that were distressed fell to 19.5 percent and 24.54 percent, respectively, compared to 25.2 percent and 28.44 percent last year.

Norfolk Housing Market

Year-to-date through March, the number of existing homes sold in Norfolk fell by 5.3 percent (25 homes) from last year (March 2013). The decrease was seen in sales of both attached and detached homes. New home sales also fell by 7.5 percent (5 homes). But unlike existing homes, the decline in new home sales was mainly due to detached homes.

The average sales price of existing homes sold through March fell 6.3 percent to about \$163,200 from \$174,100 last year. The decline reflected fewer existing homes sold in the range of \$200,000 and above. The average sales price of new homes sold also declined 2.5 percent to \$265,000 from \$271,900 last year. The decrease reflected a decline in the percentage of new homes sold that were priced in the \$300,000 range and above, compared to last year. For existing homes sold, the decline in the average sales price was seen in both attached and detached home sales, while for new homes sold, the decline in the average sales price was seen mainly in attached homes sold.



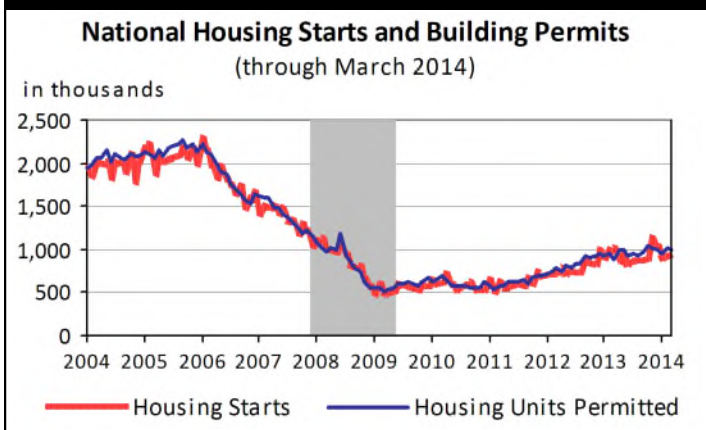
Source: Real Estate Information Network (REIN)

National Housing Market

Existing home sales in nationwide fell slightly (0.2 percent) in March to a seasonally adjusted annual rate (SAAR) of 4.59 million from the previous month's (February 2014) rate of 4.60 million. Existing home sales were 7.5 percent below the previous year's rate of 4.96 million. The National Association of Realtors (NAR) however expected home sales to pick up "with ongoing job creation" and if "inventory continues to improve and mortgage rates rise only modestly."

New home sales also fell in March from both the previous month (14.5 percent) and previous year (13.3 percent) to 384,000 (SAAR). With the revised January and February new home sales, the March decline from the previous year was the first decline since September 2011. The average sales prices of existing and new homes sold rose again by 5.9 and 11.3 percent from last year to \$246,800 and \$334,200, respectively. NAR pointed to "inventory shortages" for the growth in home prices, as well as, the declining percentage of homes sold that are distressed.

National New Residential Construction



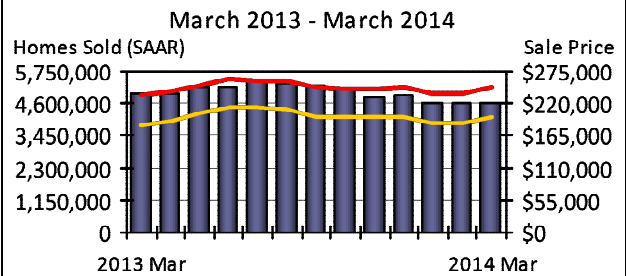
The Census Bureau reported privately-owned housing units authorized by building permits in March fell 2.4 percent to a seasonally adjusted annual rate (SAAR) of 990,000 (SAAR) from the revised rate of 1,014,000 in February. Compared to last year (March 2013), housing units permitted rose 11.2 percent and has been rising in every month year-over-year since May 2011.

Privately-owned housing starts in March rose 2.8 percent to 946,000 (SAAR) from February's revised 920,000 rate. Single-family housing starts drove the increase. From last year, housing starts fell 5.9 percent from the March 2013 rate of 1,005,000. This was the second straight month of year-over-year decline since housing starts began rising steadily year-over-year in September 2011. Housing starts in multi-family structures accounted for the decline.

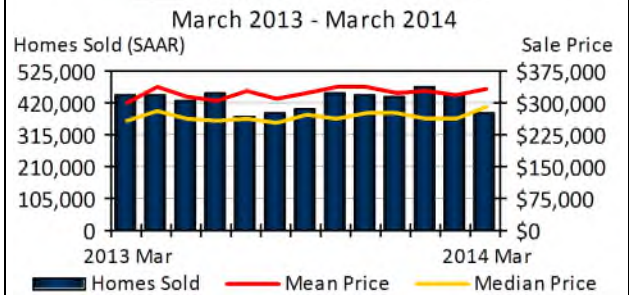
The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is "completed" when all finished flooring has been installed or at the time of occupancy.

Source: National Association of Realtors (NAR), U.S. Census Bureau, and City of Norfolk Department of Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

Existing Home Sales and Sale Price

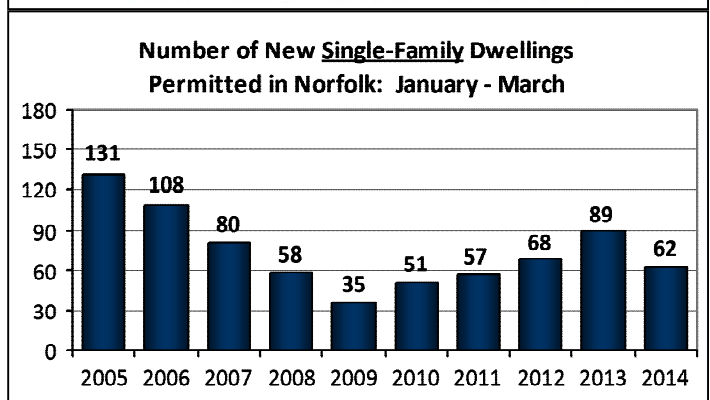
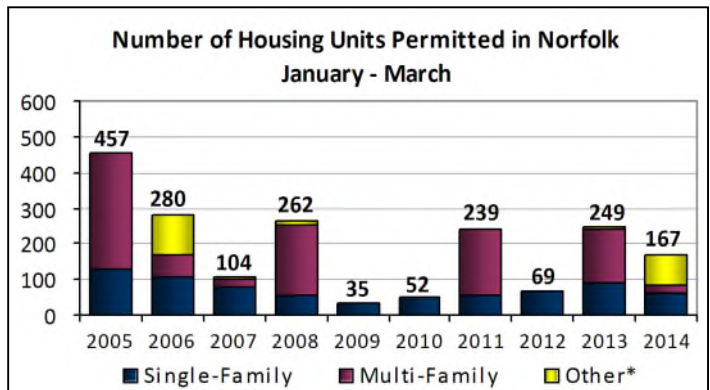


New Home Sales and Sale Price



Norfolk Residential Building Permits

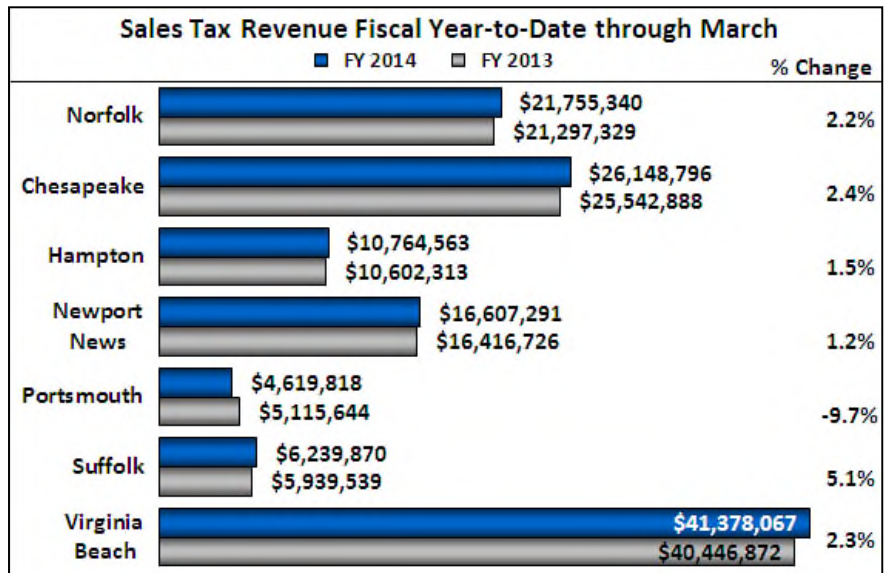
The number of housing units permitted in Norfolk through March fell to 167 units from 249 units permitted during the same period last year. The 33 percent (82 units) drop was largely due to housing units permitted in multi-family projects. In March last year, the 416 Boush Street and 401 Granby Street apartments were permitted. Multi-family projects also drove the variance in housing units permitted in other years including Meadowood Apartments (2011), SouthWind Apartments and Belmont at Freemason (2008), Harbor Heights (2006), and Bristol at Ghent (2005).



Norfolk and Regional Sales Tax

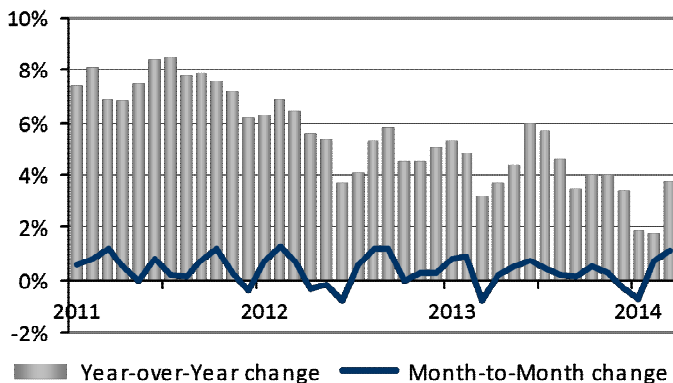
The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in March totaled about \$2.50 million, which was 1.3 percent (about \$33,200) below last year. However, five of the seven major cities in the region had an increase year-over-year for the month of March alone, ranging from 0.01 percent (Newport News) to 3.9 percent (Hampton). Portsmouth's decline may have been an anomaly due to a spike in last year's (March 2013) sales tax distribution.

Fiscal year-to-date through March, Norfolk sales taxes were up 2.2 percent (about \$458,000). However, adjusting for the correction of an overpayment last year by TAX, Norfolk sales taxes were down 1.9 percent. Sales tax collections through March also rose in all the other major cities in the region, except Portsmouth. The increase ranged from 1.2 percent (Newport News) to 5.1 percent (Suffolk), while Portsmouth's decline year-to-date was 9.7 percent.



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)



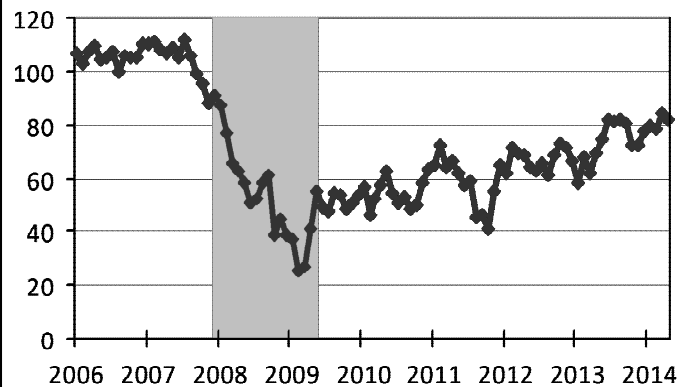
The U.S. Census Bureau reported national retail and food services sales in March were up 1.1 percent (preliminary) from the previous month (February 2014). This was the largest monthly increase in retail and food service sales since September 2012. The monthly increase was fairly broad based, and among the major business categories, only gas stations, electronics and appliance stores, and miscellaneous store retailers had a decline in sales.

Compared to last year (March 2013), retail and food service sales were up 3.8 percent (preliminary). This was the largest year-over-year increase since November 2013. Retail and food service sales have risen year-over-year since November 2009. The March increase were mostly from motor vehicle and parts dealers, nonstore retailers (which includes internet and mail order sellers), food and beverage stores, health and personal care stores, general merchandise stores (but not department stores which saw a decline in sales), restaurants and bars, and building material and garden equipment and supplies dealers.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Consumer Confidence Index

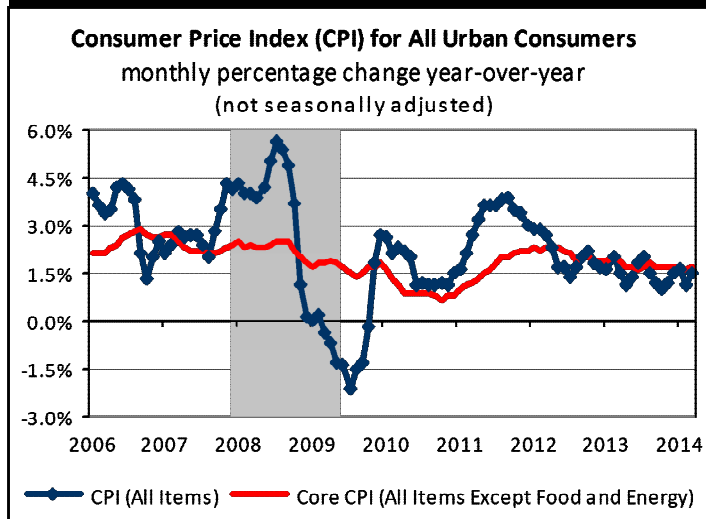
Consumer Confidence Index



The Conference Board reported the Consumer Confidence Index fell slightly in April to 82.3 from 83.9 in March. The decline was due to consumer confidence in current business and employment conditions as measures by the Present Situation Index, which fell to 78.3 from 82.5, the first decline since October 2013. The Expectations Index, which measures consumer confidence in business, employment and family income six months from now, held steady at 84.9 compared to 84.8 last month.

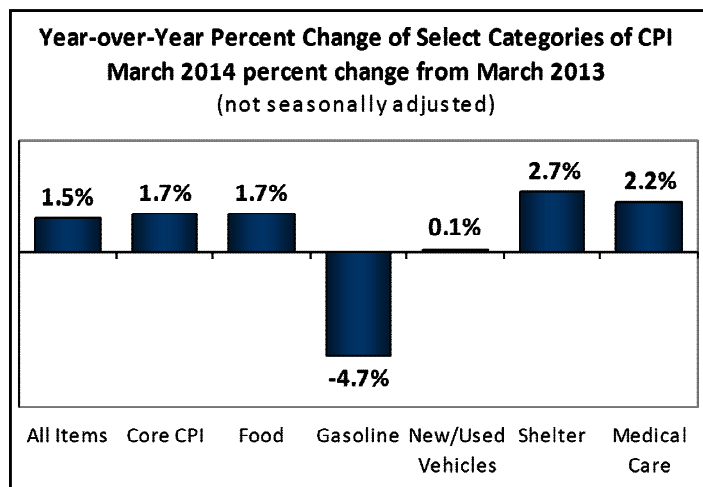
Lynn Franco, Director of Economic Indicators at The Conference Board indicated, "Consumer confidence declined slightly...as consumers assessed current business and labor market conditions less favorably than in March. However, their expectations regarding the short-term outlook for the economy and labor market held steady. Thus, while sentiment regarding current conditions may have slipped a bit, consumers do not foresee the economy, or the labor market, losing the momentum that has been building up over the past several months."

Consumer Price Index



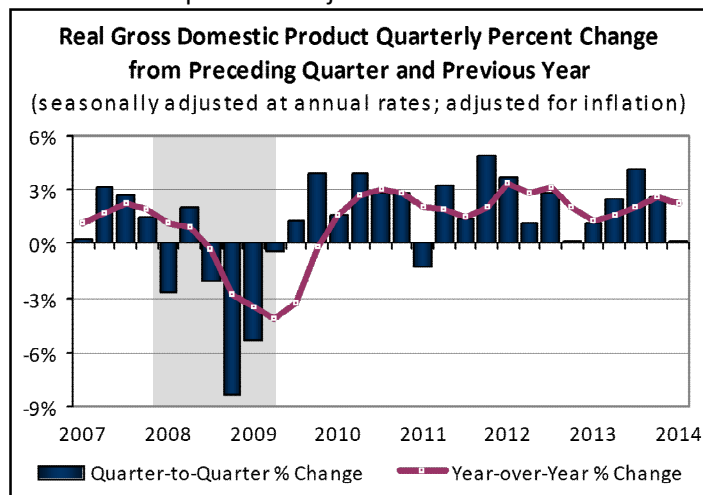
The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose 0.2 percent (seasonally adjusted) in March. Among the major expenditure categories, food prices rose 0.4 percent, while energy prices fell 0.1 percent, due to a decrease in gasoline and fuel oil prices. The core CPI, which excludes food and energy, also rose in March by 0.2 percent. BLS indicated that two-thirds of the core CPI increase was due to the 0.3 percent increase in the shelter index. According to BLS, the increases in shelter and food accounted for most of the increase in the CPI.

From the previous year, the CPI rose 1.5 percent before seasonal adjustment. Among the major expenditure categories, energy prices rose 0.4 percent. The increase in energy was due to the rise in electricity, natural gas and fuel oil prices, which offset the 4.7 percent decline in gasoline prices. Food prices also rose in March by 1.7 percent, the largest year-over-year percentage increase since December 2012. The core CPI which excludes food and energy also rose 1.7 percent.



Real Gross Domestic Product (GDP)

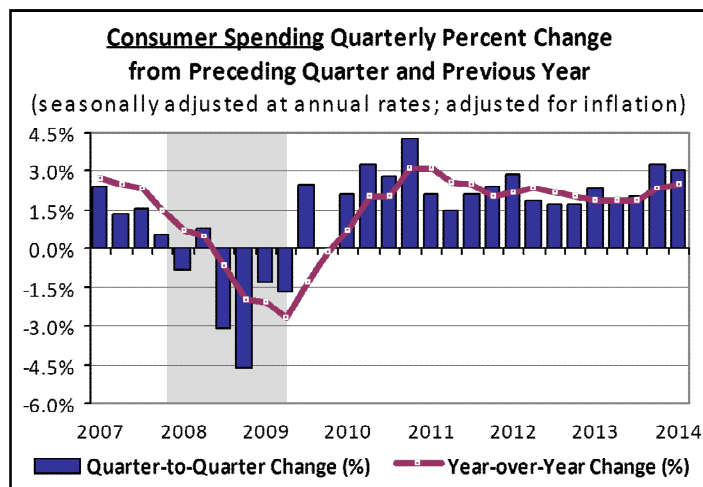
Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 0.1 percent (first estimate) in the first quarter of 2014, after growing at a 2.6 percent rate in the fourth quarter. BEA indicated the first estimate was based on source data that are incomplete or subject to further revision.



The slower growth in the first quarter reflected:

- **consumer spending** increasing 3.0 percent, compared with a 3.3 percent increase in the fourth quarter;
- **business investment in equipment** falling 5.5 percent, after increasing 10.9 percent in the fourth quarter, and **business inventory** rising by \$87.4 billion, compared to the \$111.7 billion increase in the fourth quarter;
- **exports** decreasing by 7.6 percent, which follows growth of 9.5 percent in the fourth quarter; and
- **state and local government spending** falling 1.3 percent, which follows no change in the fourth quarter.

Offsetting the slower growth of the factors above was a slower decline in federal government spending and housing investment, an increase in investment in commercial structures, and a decline in imports.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.